

## SECTION X--INTERPRETATIONS

### ACCOUNTING INTERPRETATION NO. 5

#### **Subject: Accounting for and Reporting Taxes Receivable, Tax Revenue and Estimated Uncollectible Taxes Receivable**

Taxes receivable and tax revenue can be properly accounted for and reported under the following option:

We suggest to maintain the governmental funds' general ledger on the cash basis throughout the year and adjust it to the modified accrual basis at December 31, the following entries should be made:

- |     |                        |    |
|-----|------------------------|----|
| (a) | Cash                   | xx |
|     | Revenue, Current Taxes | xx |

This entry is made each month based upon the current tax collections received and recorded in the apportionment record.

- |     |                              |    |
|-----|------------------------------|----|
| (b) | Taxes Receivable--Delinquent | xx |
|     | Deferred Revenue             | xx |

This entry is made on December 31, of each year in the general journal and general ledger to record taxes receivable and deferred revenue. The amounts to record should be the difference between the taxes levied and the taxes collected in the period January 1 through December 31. This entry also could be made each month to maintain control on taxes receivable rather than waiting until December 31, to determine taxes receivable.

- |     |                                    |           |
|-----|------------------------------------|-----------|
| (c) | <b>Taxes Receivable -- Current</b> | <b>xx</b> |
|     | <b>Deferred Revenue</b>            | <b>xx</b> |

**To record the levy adopted by October 1, for the upcoming year.**

Whichever option is selected for the accounting for and reporting taxes receivable, it is important to use that option consistently from one reporting period to the next, unless the circumstances necessitate a change.

#### Reporting Estimated Uncollectible Taxes Receivable

All or most of the taxes levied should be collected eventually because of the requirement for counties to sell land upon which taxes are delinquent; thus at least theoretically it should not be necessary to record Estimated Uncollectible Taxes Receivable at the time Taxes Receivable are recorded. However, should the need to record Estimated Uncollectible Taxes Receivable become apparent, the entry should be:

- |   |    |
|---|----|
| Deferred Revenue                            | xx |
| Estimated Uncollectible Taxes<br>Receivable | xx |

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The balance in the Estimated Uncollectible Taxes Receivable accounts should not change unless additional information causes a revision of the original estimate, in which case the appropriate accounts should be adjusted by a general journal entry. The balance in the Estimated Uncollectible Taxes Receivable accounts should never exceed the amount in the Taxes Receivable accounts.